

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Dick.Cty. Solid Waste Mgmt. Authority	County Dickinson
Fiscal Year End 12-31-2005	Opinion Date 5-31-2006	Date Audit Report Submitted to State 6-29-2006	

We affirm that:


We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- | YES | NO | Check each applicable box below. (See instructions for further detail.) |
|-------------------------------------|--------------------------|---|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 1. All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 2. There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 3. The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 4. The local unit has adopted a budget for all required funds. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 5. A public hearing on the budget was held in accordance with State statute. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 6. The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 7. The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 8. The local unit only holds deposits/investments that comply with statutory requirements. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 9. The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the <i>Bulletin for Audits of Local Units of Government in Michigan</i> , as revised (see Appendix H of Bulletin). |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 10. There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 11. The local unit is free of repeated comments from previous years. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 12. The audit opinion is UNQUALIFIED. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 13. The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP). |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 14. The board or council approves all invoices prior to payment as required by charter or statute. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 15. To our knowledge, bank reconciliations that were reviewed were performed timely. |

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	Compliance and Internal Control Report	
Certified Public Accountant (Firm Name) Fleury, Singler & Company, P.C.		Telephone Number 906-774-0833	
Street Address 301 Stephenson Avenue		City Iron Mountain	State MI
		Zip 49801	
Authorizing CPA Signature 		Printed Name David J Knoke, CPA	
		License Number MI 1101010481	

DICKINSON COUNTY SOLID WASTE
MANAGEMENT AUTHORITY

December 31, 2005

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Dickinson County Solid Waste
Management Authority
Quinnesec, Michigan

We have audited the accompanying basic financial statements of the **DICKINSON COUNTY SOLID WASTE MANAGEMENT AUTHORITY** as of December 31, 2005 and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the Authority's Board of Trustees and management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the **DICKINSON COUNTY SOLID WASTE MANAGEMENT AUTHORITY** as of December 31, 2005, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2006, on our consideration of the **DICKINSON COUNTY SOLID WASTE MANAGEMENT AUTHORITY'S** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements of the **DICKINSON COUNTY SOLID WASTE MANAGEMENT AUTHORITY** but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation. However, we did not audit the information and express no opinion on it.



Certified Public Accountants
Iron Mountain, Michigan

May 31, 2006

DICKINSON COUNTY SOLID WASTE MANAGEMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Dickinson County Solid Waste Management Authority (the "Authority") is a joint venture of eleven municipalities located in Dickinson County: Cities of Iron Mountain, Kingsford, and Norway, Charter Township of Breitung, the Townships of Breen, Felch, Norway, Sagola, Waucedah, and West Branch, and the County of Dickinson. The primary role of the Authority is to provide for the management of solid waste for the residents of Dickinson County. This role is outsourced under a contract to the Great American Disposal Company (GAD). The Authority's contract with GAD expires June 9, 2006. On May 17, 2006, the Authority renewed, with amendments, the contract effective June 10, 2006 for an additional ten years.

Within this section of the Authority's annual financial report, the Authority's management provides a narrative discussion and analysis of the financial activities of the Authority for the year ending December 31, 2005. The Authority's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

The statement of net assets and the statement of revenues, expenses, and changes in net assets provide information about the financial activities of the Authority. The statement of cash flows presents detailed information about the changes in the Authority's cash position during the year. The notes to the financial statements disclose the Authority's significant accounting policies and additional information related to certain amounts included in the statement of net assets.

Financial Highlights

The amounts to be charged to the participating members will be equal to the Authority's cost of providing solid waste transfer services. The Authority prepares an annual budget to measure the ability to reduce total costs to its members (as opposed to the ability to accumulate financial resources). The costs charged to the municipalities (operating revenues net of other income) in 2005 were \$986,075. Disposal costs, net of a monthly deduction, included in operating expenses in 2005 were \$951,496. 99% of these costs were paid to GAD. The Authority currently pays GAD \$57.38 per ton of solid waste processed. This rate is subject to an annual escalation clause.

There were no capital asset acquisitions in 2005. In 2005, the Authority sold 15 acres of land to the Charter Township of Breitung for \$24,866, which resulted in a gain of \$18,304. The Authority did not incur debt in 2005. Net assets were comprised of 1) capital assets of \$789,411, which include property and equipment net of accumulated depreciation and 2) unrestricted assets of \$531,336, the portion available to maintain the Authority's daily activities.

Financial Analysis

The following table presents condensed information about the Authority's financial position compared to the prior year:

	December 31		Change	
	2005	2004	Amount	Percent
Current assets	\$ 599,402	\$ 577,238	\$ 22,164	3.84%
Capital assets	789,411	830,853	(41,442)	-4.99%
Total assets	1,388,813	1,408,091	(19,278)	-1.37%
Current liabilities	68,066	76,182	(8,116)	-10.65%
Total liabilities	68,066	76,182	(8,116)	-10.65%
Net assets				
Invested in capital assets	789,411	830,853	(41,442)	-4.99%
Unrestricted	531,336	501,056	30,280	6.04%
Total net assets	\$ 1,320,747	\$ 1,331,909	\$ (11,162)	-0.84%

DICKINSON COUNTY SOLID WASTE MANAGEMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Financial Analysis (continued)

The following table presents condensed information about the Authority's revenues and expenses compared to the prior year:

	December 31		Change	
	2005	2004	Amount	Percent
User fees	\$ 986,075	\$ 1,016,213	\$ (30,138)	-2.97%
Other income	593	759	(166)	-21.87%
Total operating revenue	986,668	1,016,972	(30,304)	-2.98%
Disposal	951,496	959,872	(8,376)	-0.87%
Administrative and other	68,912	63,285	5,627	8.89%
Operating and maintenance	5,916	6,756	(840)	-12.43%
Total operating expenses	1,026,324	1,029,913	(3,589)	-0.35%
Interest income	10,190	5,382	4,808	89.33%
Gain on sale of assets	18,304	-	18,304	N/A
Total nonoperating revenue	28,494	5,382	23,112	429.43%
Net loss	\$ (11,162)	\$ (7,559)	\$ (3,603)	47.67%

Budgetary Highlights

The adopted budget for 2005 forecasted expenses to exceed revenues by \$28,600. The 2004 adopted budget forecasted expenses to exceed revenues by \$25,860. For ongoing operations, costs will be dependent on the volume of solid waste hauled. The 2006 budget forecasts expenses to exceed revenues by \$37,700.

Capital Assets

The Authority's investment in capital assets, net of accumulated depreciation as of December 31, 2005, was \$789,411. There have been no additions to capital assets since 2002. During 2005, the Authority sold 15 acres of land to the Charter Township of Breitung for \$24,866.

Contacting the Authority's Management

This financial report is intended to provide members of the Authority with a general overview of the Authority's finances and to show accountability for the money it receives from members and other sources. If you have questions about this report or need additional information, we welcome you to contact the Authority's office at 906-779-5868.

DICKINSON COUNTY SOLID WASTE MANAGEMENT AUTHORITY
STATEMENT OF NET ASSETS
DECEMBER 31, 2005

Assets

Cash and equivalents	\$ 228,621
Investments	300,000
Accounts receivable	
Governmental units	26,830
Other	38,952
Prepaid expenses	4,999
Capital assets	<u>789,411</u>

Total assets **1,388,813**

Liabilities

Accounts payable	68,015
Accrued payroll taxes	<u>51</u>

Total liabilities **68,066**

Net assets

Invested in capital assets	789,411
Unrestricted	<u>531,336</u>

Total net assets **\$ 1,320,747**

See accompanying notes to financial statements.

DICKINSON COUNTY SOLID WASTE MANAGEMENT AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2005

Operating revenues	
Charges for services - User fees	\$ 986,075
Other income	593
	<hr/>
Total operating revenues	986,668
 Operating expenses	
Disposal	951,496
Recycling	5,902
Supplies	14
Bad debts	2,031
Depreciation	34,880
Administration	
Insurance	13,466
Office	304
Payroll	5,797
Postage	232
Professional fees	11,112
Service charges	35
Telephone	1,055
	<hr/>
Total operating expenses	1,026,324
	<hr/>
Operating (loss)	(39,656)
 Non-operating revenue	
Interest income	10,190
Gain on sale of assets	18,304
	<hr/>
Total non-operating revenue	28,494
	<hr/>
Net (loss)	(11,162)
 Net assets - Beginning of year	
	<hr/>
	1,331,909
 Net assets - End of year	
	<hr/>
	\$ 1,320,747
	<hr/>

See accompanying notes to financial statements.

DICKINSON COUNTY SOLID WASTE MANAGEMENT AUTHORITY
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2005

Cash flows from operating activities	
Cash received from members and customers	\$ 885,193
Cash received from other customers and sources	113,469
Cash payments to suppliers for goods and services	(993,855)
Cash payments to employees for services	(5,801)
	<hr/>
Net cash (used in) operating activities	(994)
 Cash flows from capital and related financing activities	
Proceeds from sale of assets	24,866
	<hr/>
Net cash provided by capital and related financing activities	24,866
 Cash flows from investing activities	
Investment income	10,190
	<hr/>
Net cash provided by investing activities	10,190
	<hr/>
Net increase in cash	34,062
 Cash and equivalents - Beginning of year	494,559
	<hr/>
Cash and equivalents - End of year	\$ 528,621
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Reconciliation of operating (loss) to net cash	
(used in) operating activities	
Operating (loss)	\$ (21,352)
Adjustments to reconcile operating (loss) to net cash	
(used in) operating activities	
Depreciation	34,880
Gain on sale of assets	(18,304)
Change in assets and liabilities	
Decrease in accounts receivable	11,994
(Increase) in prepaid expenses	(96)
(Decrease) in accounts payable	(8,112)
(Decrease) in other liabilities	(4)
	<hr/>
Net cash (used in) operating activities	\$ (994)
	<hr/>

See accompanying notes to financial statements.

DICKINSON COUNTY SOLID WASTE MANAGEMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE A - NATURE OF BUSINESS AND SUMMARY OF ACCOUNTING POLICIES

Dickinson County Solid Waste Management Authority (Authority) was created under the provisions of Act 233, Public Acts of Michigan, 1955, as amended in January 1993. The incorporating Municipalities creating the Authority are the County of Dickinson, the Cities of Iron Mountain, Kingsford and Norway, the Charter Township of Breitung, and the Townships of Breen, Felch, Norway, Sagola, Waucedah and West Branch, each located in the County of Dickinson, State of Michigan. The Authority consists of a Board of Trustees comprised of seven representatives from the Municipalities. The Authority was formed to provide for the management of solid waste for the residents of Dickinson County.

The financial statements of the Authority are prepared on the accrual basis of accounting and economic resources measurement focus. The Authority reports as a business-type activity, as defined by the Governmental Accounting Standards Board (GASB) Statement No. 34. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services. In preparing the financial statements, the Authority has applied all Financial Accounting Standards Board (FASB) statements and interpretations issued prior to December 1, 1989, unless those standards conflict with GASB pronouncements.

Reporting Entity - Government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for an entity as a whole.

Fund Accounting - Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Authority functions or activities.

The Authority uses one **Proprietary Fund**:

Enterprise Fund - To account for operations (1) that are financed and operated in a manner similar to private business enterprises, in which the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (2) when the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Basis of Accounting - The accrual basis of accounting is used by the Authority, in which revenues are recorded when earned and expenses are recorded when the related liabilities are incurred. Operating income includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues are charges to customers and members for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risk Management - The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority maintains commercial insurance covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - NATURE OF BUSINESS AND SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Cash and Equivalents - Cash and equivalents consist of checking and saving accounts and cash on hand. For purposes of the statement of cash flows, all highly liquid debt instruments purchased with an original maturity of three months or less are considered to be cash equivalents which are carried at cost.

Investments - Investments are recorded at fair value, based on quoted market prices, and include certificates of deposit.

Accounts Receivable and Concentration of Credit Risk - The Authority extends credit to customers and members residing or operating within Dickinson County.

Prepaid Expenses - Prepaid expenses record payments that benefit future reporting periods and are also reported on a consumption basis.

Capital Assets - All capital assets are valued at cost when historical records are available and at an estimated historical cost when no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations. Capital assets are depreciated using the straight-line method.

Estimated useful lives, in years, for depreciable assets are as follows:

Building	40 years
Equipment	5-20 years

Net Assets - Unrestricted net assets represent the amounts available for budgeting future operations. Invested in capital assets represents capital assets acquired by the Authority.

NOTE B - DEPOSITS AND INVESTMENTS

The Authority's board of directors approves and designates authorized financial institutions in which funds may be deposited.

Petty Cash - The Authority maintains a \$200 petty cash fund.

Deposits and Investments - The bank balances, which include checking and savings accounts and certificates of deposit, totaled \$528,481, of which \$382,008 was covered by federal depository insurance. Investments are categorized to indicate the level of risk assumed by the Authority at December 31, 2005. Risk Category 1 includes those investments that are insured, registered, or held by the Authority or its agent. Risk Categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department in the Authority's name. Category 3 includes investments that are held by the counterparty or the counterparty's trust department but not in the Authority's name.

NOTE C - RECEIVABLES

Receivables include amounts due from customers and members primarily for waste management services. These receivables are due within one year. Certain enterprise funds report accounts receivable net of an allowance for uncollectible accounts. There has been no allowance established as of December 31, 2005, as all receivables are deemed collectible.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE D - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2005 was as follows:

	<u>2004</u>	<u>Additions</u>	<u>Disposals</u>	<u>2005</u>
Capital assets not being depreciated				
Land	\$ 140,000	\$ -	\$ (6,562)	\$ 133,438
Capital assets being depreciated				
Building	\$ 731,713	\$ -	\$ -	\$ 731,713
Land improvements	30,971	-	-	30,971
Equipment	371,412	-	-	371,412
Subtotal	1,134,096	-	-	1,134,096
Less accumulated depreciation for				
Building	(209,406)	(18,219)	-	(227,625)
Land improvements	(2,648)	(353)	-	(3,001)
Equipment	(231,189)	(16,308)	-	(247,497)
Subtotal	(443,243)	(34,880)	-	(478,123)
Net capital assets being depreciated	\$ 690,853	\$ (34,880)	\$ -	\$ 655,973
Total capital assets - net of depreciation	\$ 830,853	\$ (34,880)	\$ (6,562)	\$ 789,411

NOTE E - BUDGETARY INFORMATION

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at fiscal year end. The Authority follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Administrator submits to the Board a proposed operating budget for the calendar year commencing on January 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budget is at the functional level.
2. Formal budgetary integration is employed as a management control device during the year.
3. The budget is prepared on a detailed line item basis. Revenues are budgeted by source and expenses are budgeted by classification.
4. Budget revisions at this level are subject to final review by the Board. There were no budget amendments during 2005.
5. The Administrator submits a report to the Board each month during the year which compares year-to-date actual revenues and expenses with budgeted amounts.

NOTE F - ECONOMIC DEPENDENCE AND RELATED PARTY TRANSACTIONS

A material part of the Authority's business is dependent on a single customer/related party, which could have a material effect on the Authority. For the year ended December 31, 2005, \$429,802 (44%) of revenues and \$942,928 (99%) of disposal expenses was attributable to the Great American Disposal Company (GAD). As of December 31, 2005, \$31,197 of accounts receivable was due from GAD and \$67,428 of accounts payable was due to GAD.

In addition, certain members of the Authority are also customers. For the year ended December 31, 2005, \$358,802 (36%) of revenues was attributable to those members. As of December 31, 2005, \$26,830 of accounts receivable was due from the members.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - SOLID WASTE SERVICES OPERATING CONTRACT

On April 11, 1996, the Authority entered into a long-term operating contract with Great American Environmental Services, Inc. (d/b/a The Great American Disposal Company), a Michigan corporation (the Contractor). The Contractor will operate a Solid Waste Processing Facility (SWPF) for and on behalf of the Authority, and will acquire, construct and operate a solid waste transfer facility on property owned by the Authority and shall lease all or a portion of such property from the Authority for such purpose. The Contractor assumed operating responsibility for the SWPF for the provision of the solid waste processing and disposal, recycling, yard waste disposal and household hazardous waste disposal services. It is agreed that the only solid waste which may be disposed of in a type II landfill, household hazardous waste and yard clippings generated within Dickinson County, may be accepted for processing at the SWPF and the transfer station. The Contractor further agrees to transport to and dispose of in a licensed disposal facility not less than all of the municipal and commercial solid waste and the household hazardous waste processed initially at the SWPF and the transfer facility in accordance with, and to operate programs respecting recyclable materials, yard clippings and household hazardous waste in accordance with and in compliance with any applicable federal, state and county laws and regulations, including the Dickinson County Solid Waste Management Plan and the applicable solid waste management plan under Act 451 or other relevant law of the county in which the solid waste is to be disposed as the same is in force and effect from time to time. If at any time the Contractor provides waste collection within Dickinson County as an ancillary part of its business, such waste collected shall be processed at the SWPF or the transfer station prior to transportation out of Dickinson County by the Contractor for disposal. Also the Contractor agrees the solid waste, recyclable materials, yard clippings and household hazardous waste shall be accepted at the SWPF and the transfer station on a drop-in basis from Dickinson County residents.

During the term of the contract, the Contractor shall be responsible for all maintenance and repairs to the SWPF. Upon termination of the lease, the SWPF shall be returned to the Authority in good repair and working order. The Contractor shall not suffer or give cause for the filing of any lien against the SWPF. They also shall not make any permanent improvements to the SWPF, including installing or removing fixtures, without the Authority's consent.

The Contractor shall be responsible for billing the customers in the name of the Authority, at rates established by the Authority, and for collecting payment for disposal and other services provided at the SWPF and the transfer station. Payments shall be made to the Authority. A bill for solid waste, recyclable materials, yard clippings and household hazardous waste delivered by Dickinson County residents on a drop-in basis shall be rendered and paid at the time of delivery, payment to be in cash or by personal check or otherwise as permitted by the Authority.

In consideration of the operation of the SWPF and the transfer facility and for other services to be performed by the Contractor under the contract, the Authority agrees to pay the Contractor at an agreed upon rate per ton of solid waste processed and disposed of in the landfill less \$1,050 per month of operation (original contract). A cost escalation factor shall be applied to adjust the rate/ton on each anniversary of the contract based on various factors. The monthly deduction shall be subject to renegotiation at agreed upon times by both parties.

The contract shall be for a period of ten years commencing sixty (60) days after issuance by the Authority or June 9, 2006. The contract may be extended if elected to do so and may be terminated at an earlier date by the Authority in the event of a default by the Contractor of its obligations under the contract.

The Contractor agrees that it will not assign nor subcontract the contract or any part hereof and that it will maintain its corporate existence, will not dissolve or otherwise dispose of all or substantially all of its assets, and will not consolidate with or merge into another corporation or permit another corporation to consolidate with or merge into it unless the Authority determines otherwise.

The Authority currently compensates GAD at the rate of \$57.38 per ton of solid waste processed less \$1,050 per month for the period through December 31, 2005.

NOTE H - EXPLORATORY DRILLING AGREEMENT

On August 17, 2004, the Authority entered into a short-term agreement with Breitung Township which allowed the Township to complete a series of well tests on certain land owned by the Authority. The township was granted an exclusive option to purchase 15 acres of land from the Authority to explore and possibly develop a municipal well field. The Township was also granted an option to obtain permanent easements over additional parcels of land owned by the Authority for the limited purpose of development or operation of the purchased land as a municipal well site. During 2005, the Township acquired the land from the Authority for \$24,866. The exploratory drilling agreement terminated upon this acquisition.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE I - SUBSEQUENT EVENT

On May 17, 2006, the Authority renewed, with amendments, the solid waste services operating contract with the Great American Disposal Company. The new contract is effective June 10, 2006 for an additional ten years.

COMPLIANCE AND INTERNAL CONTROL REPORT

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees
Dickinson County Solid Waste Management Authority
Quinnesec, Michigan

We have audited the financial statements of the **DICKINSON COUNTY SOLID WASTE MANAGEMENT AUTHORITY** as of and for the year ended December 31, 2005, and have issued our report thereon dated May 31, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the **DICKINSON COUNTY SOLID WASTE MANAGEMENT AUTHORITY'S** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the **DICKINSON COUNTY SOLID WASTE MANAGEMENT AUTHORITY'S** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of the Board of Trustees and management and is not intended to be and should not be used by anyone other than these specified parties.


Certified Public Accountants
Iron Mountain, Michigan

May 31, 2006

May 31, 2006

Board of Trustees
Dickinson County Solid Waste
Management Authority
Quinnesec, Michigan

Board of Trustees:

In planning and performing our audit of the financial statements of the Dickinson County Solid Waste Management Authority for the year ended December 31, 2005, we considered the Authority's internal control structure to determine our audit procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

During our audit, we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The paragraph below summarizes our comments and suggestions regarding these matters. This letter does not affect our report dated May 31, 2006, on the financial statements of the Dickinson County Solid Waste Management Authority.

CASH AND INVESTMENT BALANCES

The Authority currently utilizes three financial institutions. The Authority has some cash balances not covered by F.D.I.C. insurance at one of these financial institutions. We recommend that the Authority consider utilizing the other financial institutions in order to minimize risk.

INVESTMENT POLICY

The Authority has an investment policy "to invest funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow needs of the Authority and comply with all state statutes..." We noted that the Authority has strict limitations on which financial institutions it may invest in. We also noted that the Authority currently has investments that are not in compliance with this authorization. Although this is technically a noncompliance matter, we do not deem it to be a significant issue. We recommend that the investment policy be updated to authorize the Authority to invest in any financial institution which the Board deems reputable and secure; to require Board approval prior to the opening and/or closing of any accounts; and to require at least two signatures when disbursing funds.

We will review the status of these comments during our next engagement. We have already discussed these comments and suggestions with Authority personnel and we will be pleased to discuss them in further detail at your convenience. We wish to acknowledge the cooperation and courtesies extended to us during the course of our examination.

Very truly yours,



Certified Public Accountants

DJK/js